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SUBJECT: A CHASTENED CONGRESS FACES HARSH REALITIES

REF: NEW DELHI 1519

Classified By: DCM Robert O. Blake, Jr. for Reasons 1.4 (B, D)

11. (C) Summary: As India's leading newsmagazine splashed across the cover of its March 21 issue, "the halo has slipped," from Sonia Gandhi after Congress' electoral setbacks and questionable decisions in Bihar, Goa, and Jharkhand. The long term impact for Congress and the BJP is unlikely to be serious. Congress has closed ranks behind Mrs. Gandhi and PM Manmohan Singh, and media attention could quickly turn elsewhere. Congress' failed gambles in remote state elections, are likely to have little or no impact in New Delhi, where the UPA remains firmly in control. Congress heavyhandedness has angered allies in the United Progressive Alliance (UPA), but they are content with the status quo and will do nothing to risk a government downfall. As long as the UPA alliance remains firm, the BJP cannot use this episode to score substantive gains, although Congress faces increased pressure from the BJP as a result of the USG decision to revoke Gujarat CM Modi's visa (Septel). End Summary.

Electoral Missteps

12. (C) A series of Congress miscalculations and missteps has damaged Sonia Gandhi's image as the "renunciate" who gave up her chance to become Prime Minister, and tarnished her party's reputation. Regional parties dominated in the three states that recently-concluded assembly elections (Jharkhand, Bihar, and Haryana). Congress unwillingness to acknowledge their predominance has spoiled ties with several regional allies, and opened the party to charges that it was undermining democracy.

13. (C) According to press reports, two coteries, one local and one in New Delhi, devised the Congress electoral strategy in these elections and convinced Mrs. Gandhi to approve it. In Delhi, the principal campaign leaders included HRD Minister Arjun Singh, senior Congress leader M.I. Fotedar, and Water Resources Minister Priyaranjan Das Munshi. The Congress leaders in the states included: All India Congress Committee (AICC) functionary Subodh Kant Sahai, former Chief Minister of Chhattisgarh Ajit Jogi, Jharkhand Governor Syed Sibtey Razi, and former MP R.K Anand. These leaders recommended that the party not nurse the UPA coalition, in favor of building a base for a Congress revival in North India. Mrs. Gandhi purportedly agreed to cast aside Laloo Prasad Yadav, and to ally with Bihar Dalit leader Ram Vilas Paswan and Jharkhand tribal leader Shibu Soren.

14. (C) The strategy fared miserably in both Jharkhand and Bihar. In Bihar, Congress declined from 12 assembly seats to 10, and in Jharkhand from 11 to nine, while Laloo's Rashtriya Janata Dal (RJD) won 75 seats in Bihar to remain the state's largest party. Soren and Paswan failed to win enough seats to secure a majority in either state. If Congress had not burned its bridges with the RJD, and divided the anti-BJP vote, the UPA could have easily formed the government in Jharkhand and Bihar.

Anti-Democratic Heavyhandedness

15. (C) Having failed at the ballot box and managed its coalition poorly, Congress then compounded its errors by trying to use compliant governors to install UPA governments in Goa and Jharkhand, even when they did not have a majority. The strategy compelled the Supreme Court to intervene in the Jharkhand case, while the ruling party ended-up dismissing its own government in Goa. The NDA was quick to respond in the media, accusing Congress of "murdering democracy," and "attempting to return to the bad old days of the Emergency."

Is Sonia Responsible

16. (C) Although the BJP has attacked the PM for being "invisible," party President L.K. Advani acknowledged that the PM had little, if any, role in the recent political machinations, declaring Sonia Gandhi as the principal culprit. The pro-BJP weekly "India Today" argued in its March 21 cover story that despite Congress attempts to distance her from the fiasco, the governors in Jharkhand and

Goa could not have acted without her assent, and without keeping her fully informed throughout. "India Today" described Mrs. Gandhi's renunciation of the Prime Ministership as a "show" meant to provide her "maximum empowerment by other means," arguing that she personally makes all major political decisions, has masterminded the Congress political strategy since the UPA came to power in 2004, and should therefore be held responsible.

Dissension in the Ranks

17. (C) These state level developments have caused dissension within the UPA, with the regional satraps resentful of Congress meddling and heavy-handedness. Nationalist Congress Party (NCP) Chief Sharad Pawar continues to resent Mrs. Gandhi for selecting the Chief Minister in Maharashtra, even though the NCP won more seats than Congress in the Fall 2004 elections there. Although Laloo Yadav remains dependent on a sympathetic UPA government in New Delhi to return to power in Bihar, he has publicly expressed bitterness and anger for the way he has been treated.

18. (C) The next round of state level elections is scheduled for February 2006, when Tamil Nadu, West Bengal and Kerala go to the polls. Congress does not have a sufficient power base to come to power on its own in any of the three states, and will again have to rely on regional allies to form UPA governments. In Tamil Nadu, UPA ally DMK Chief M. Karunanidhi, has already stated that he will not share power with his Congress allies should he win. In West Bengal and Kerala, Congress will contest against the Communists.

Confessions and Confusion from Congress

19. (C) In a March 15 meeting with Poloff, AICC Secretary Wasim Ahmed admitted that his party had made a series of blunders over the past several months. Laying the principal blame on such state level politicians as, Ranajan Das Munshi, Subodh Kant Sahai, Ajit Jogi, and Syed Sibtey Razi. Ahmed asserted that they told the Congress High Command that:

--Laloo Yadav was very vulnerable and could be removed from power;
--Ram Vilas Paswan would deliver the Muslim and Dalit vote on election day;
--Paswan and Congress would form the Bihar government without Laloo Yadav;
--Shibu Soren's JMM would emerge as the largest party in Jharkhand;
--Congress and the JMM would form the government in Jharkhand; and
--Congress could use the Goa governor to grab power there.

110. (C) Ahmed argued that neither Mrs. Gandhi, the PM, nor senior advisors Pranab Mukherjee, Arjun Singh, and Makhan Lal Fotedar should bear any responsibility, as they had all relied on state cadres for advice. He claimed that he and other party insiders have told Mrs. Gandhi that the election outcome signals the need for a change in strategy, and that Congress must stop interfering with its regional allies, give them free reign, or face disaster. In Ahmed's view, UPA allies are now united in their suspicion of Congress, and if not placated will stop cooperating, leading to potential UPA losses in Bihar, Goa, Tamil Nadu and Uttar Pradesh (UP), with the Communists poised to decimate Congress in Kerala and West Bengal. Ahmed maintained that Congress must reassure the regional parties by humbly supporting Laloo Yadav's efforts to regain power in Bihar, ending support for Paswan, and convincing the DMK in Tamil Nadu, and the Communists in West Bengal and Kerala, that Congress would not seriously oppose them in 2006.

111. (C) Ahmed also confirmed that the Congress strategy for reviving its fortunes in UP has not been successful, and that the party has decided that since it cannot return to power on its own, it must play junior partner to a regional party. Ahmed claimed that Congress is currently negotiating an informal alliance with BSP leader and former Chief Minister (CM) Mayawati, under which the two parties would not contest against each other in key constituencies, and Congress would support Mayawati for CM after the election. The negotiations are not going smoothly, he maintained, as Mayawati is not yet convinced that Congress can provide much help in her battle against her rival and current CM Mulayam Singh Yadav. Until an agreement can be worked-out, Congress has no choice but to leave Mulayam Singh Yadav and his Samajwadi Party (SP) in control.

Straight Talk from a Journalist

112. (C) Political journalist Zafar Agha stressed to Poloff on March 15 that Congress and the BJP would both like to reduce the influence of regional parties and create a two party system in India. According to Agha, Congress hoped to

remove Laloo Yadav and replace him with pliant allies -- Paswan in Bihar, and Shibu Soren in Jharkhand -- but has failed on both counts. Agha argued that both parties would continue to displace regional parties whenever they had an opportunity, but were not overly concerned about failure, as political battles in remote areas like Bihar and Jharkhand have little practical impact in New Delhi. Agha maintained that it was ludicrous to believe that Mrs. Gandhi did not approve the Congress strategy, asserting that "few believe Congress efforts to lay the blame on a few rogue officials."

13. (C) Agha pointed out that the news was really not that bad for Congress and the UPA. He predicted that the NDA government in Jharkhand would be weak and may not last as long as six months before the UPA brings it down. Likewise, the UPA will exercise de-facto rule in Bihar, and likely form the government there, with or without Laloo. In Agha's estimation, the losses and gains from the recent election were largely symbolic. The BJP is pleased because it can use its friends in the media to create the impression of a BJP/NDA revival, and that Congress has been humbled. However, there will be few substantive benefits for the BJP, in that it cannot change the balance of power in New Delhi. While UPA allies in the states will continue to grumble, they will remain solidly with Congress in New Delhi, as they want political stability, and have nowhere else to go, he maintained.

Comment

14. (C) While the BJP has used this episode to score points against its Congress rivals, shore up its National Democratic Alliance (NDA), and cast doubt upon the credibility of Sonia Gandhi and PM Singh, the long-term gains could be minimal. The NDA government in Jharkhand will be weak and vulnerable and the BJP does not have the strength on the ground to come to power in next year's elections. Although Congress has lost some of its luster, the Indian economy continues to do well, there are no pressing law and order or communal problems, and most Indians are happy with improved India/Pakistan relations.

15. (C) Another party would replace advisors who gave its leaders poor advice and devised a flawed strategy. Such moves are anathema in Congress, however, where personal loyalty to Sonia Gandhi is prized above performance. Within the Congress culture, loyal footsoldiers are seldom called to task, and no prominent Congress leader is likely to lose his or her job over this episode. Confident that it can maintain the UPA alliance in New Delhi, Congress will wait for this episode to blow over.

16. (C) Congress faces increased pressure from the BJP as a result of the USG decision to revoke Gujarat CM Modi's visa. For analysis see Septel.
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